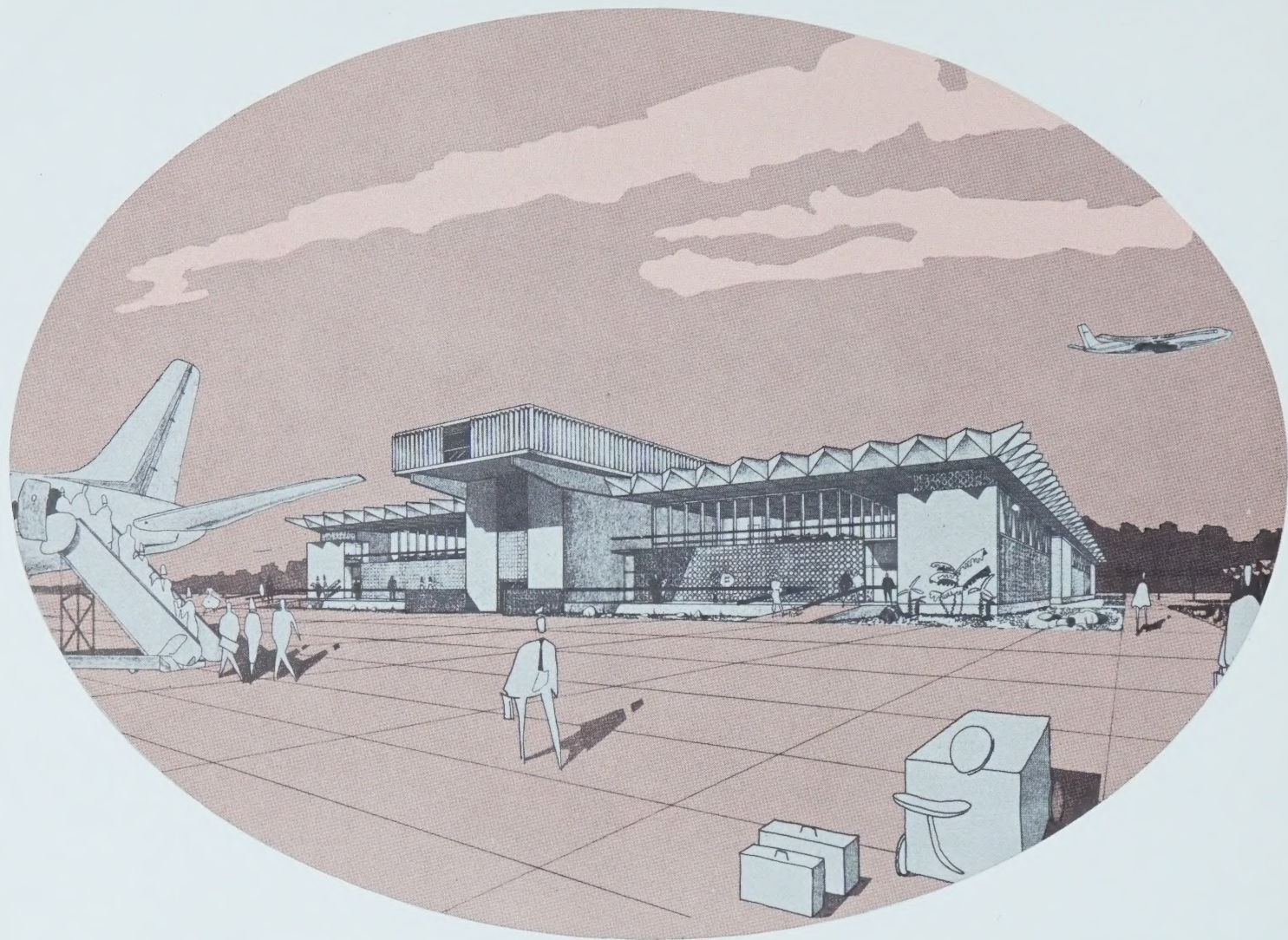


1966 ANNUAL REPORT

AR31



BRITISH-AMERICAN CONSTRUCTION
& MATERIALS LIMITED

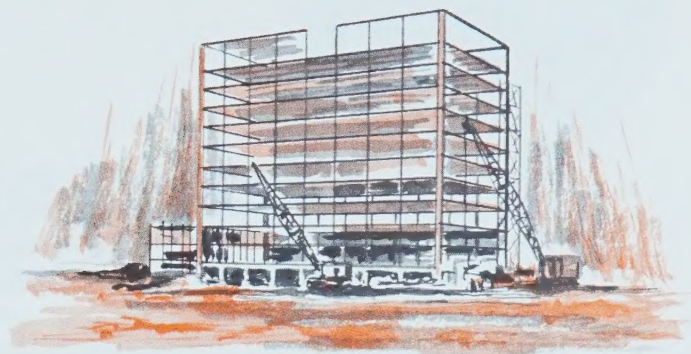


An artist's impression of the Air Terminal Building, Katunayake Airport, near Colombo, Ceylon.

**BRITISH-AMERICAN
CONSTRUCTION &
MATERIALS LIMITED**

1500 PLESSIS ROAD
WINNIPEG - CANADA

FINANCIAL HIGHLIGHTS *5th* ANNUAL REPORT



	1966	1965	1964	1963	1962
Total Operating Revenues	\$34,509,758	\$32,754,842	\$26,160,215	\$20,329,035	\$18,599,172
Total Operating Expenses	32,421,058	31,561,599	24,413,136	20,151,484	15,824,832
Operating Profit	2,088,700	1,193,243	1,747,079	177,551	2,774,340
Depletion and Depreciation	1,445,903	1,377,016	1,163,657	1,144,947	943,981
Income Taxes	1,050,916	612,637	904,395	115,647	1,106,002
Net Income	1,037,784	580,606	842,684	61,904	1,668,338
Net Income per share	1.01	0.57	0.82	0.06	1.63
Dividends Paid	272,164	258,729	160,400	229,459	142,505
Dividends per share (U.S. Funds)	0.48	0.48	0.48	0.69	0.45
Plant and Equipment—Net	9,786,581	9,521,762	8,936,527	8,117,745	7,159,033
Number of Shareholders	1534	1658	1818	1765	1741



BRITISH-AMERICAN CONSTRUCTION & MATERIALS LIMITED AND SUBSIDIARIES
DIRECTORS' REPORT TO THE STOCKHOLDERS

Your Directors take pleasure in submitting the Annual Report of your Company and its subsidiaries, together with the Consolidated Balance Sheet and related financial statement for the financial period ended February 28th, 1966, and the report of your auditors, Messrs. Ernst & Ernst.



Financial

The year ended February 28th, 1966, was a good year for your Company. The earnings increased substantially and the Company launched a major expansion program.

Total operating revenues in 1966 amounted to \$34,509,758, the highest in your Company's history, reflecting a moderate increase over the prior year's revenue of \$32,754,842. Consolidated net income during the year was \$1,037,784, a considerable advance (\$457,178) on net income of \$580,606, earned during the 1965 year. The approximate 80% increase in net income was achieved on a 5% increase in total revenues. In part, the improved operating results reflect the Company's policy of selective operations, with emphasis on profitability rather than sales volume. The net income reported was determined after providing \$1,445,903 for depletion and depreciation (compared to \$1,377,016 in 1965) and after an increased income tax provision of \$1,050,916 (compared to \$612,637 in 1965).

Net income per share after taxes amounted to \$1.01 in the current year compared with \$.57 in 1965.

In compliance with recently changed accounting practices, your Company reviewed its deferred income tax account and reclassified, as a current tax liability, certain provisions in respect of income included in accounts receivable as contract holdbacks and deferred for income tax purposes in accordance with prevailing interpretation of The Income Tax Act. Such taxes will become payable in subsequent years when the holdbacks are received. The comparative figures for the 1965 year end have been adapted to conform with the reclassification in the current year.

For the fifth consecutive year Stockholders received cash dividends. Dividends paid during the current financial year amounted to \$272,164 and were paid quarterly at an annual rate of \$.48 (U.S.) per share, compared with \$258,729 for the previous year. Dividend Waivers agreed to by certain Stockholders of the Company expired on November 30th, 1965, and these were not renewed.

CONSTRUCTION

The construction activities showed a marked improvement, with revenues increasing marginally, and profits increasing substantially. These results followed the amalgamation of certain subsidiaries of the Company and the re-organization of its varied construction activities into separate operating units. Under this method of operation each division is assigned certain assets, and is required to produce reasonable profits commensurate with its use of assigned company resources. The Company thus imposes on each operating unit the direct responsibility to control its activities and to concentrate its efforts in more profitable operations.

Where there is a great volume of construction activity and work being offered, there is always the danger of overreaching for volume. This puts heavy demand on an organization's manpower, capital and plant. There is a substantial increase in construction costs presently being experienced but the Company is pleased that its Construction Division was successful in controlling its activities within the resources available.

Your Company recently completed, successfully, the runway complex at the Katunayake Airport in Ceylon. This project was performed in approximately 60% of the estimated time and your Company was commended for this result. We have recently been awarded another substantial contract by the Canadian Government, to build the Air Terminal Building, in Ceylon, under the Colombo Plan. This contract will be performed as a joint venture with another Canadian contractor, under our sponsorship. We are continuing our activities in the international field on a highly selective basis and are investigating other work in those specialty areas where the Company has the necessary experience and personnel.

The Construction Division is entering the coming year with an excellent backlog of work, obtained at realistic estimates of cost and better margins of profit. The Company anticipates further improvement in construction earnings.





BUILDING SUPPLIES

The Building Supply Division enjoyed another highly satisfactory and profitable year of operations. In the present expanding market, this Division was successful in achieving an excellent increase in both revenues and profits.

During the past year, the Company's gravel producing facilities in its Transcona Pit have been redesigned and improved to ensure that this facility will efficiently produce increased quantities of specification materials for its operations.

In the building supply field the Company is highly diversified in the products and materials it offers in its market areas. The Company has recently created a Manufacturing and Engineering Services unit which will assist operating management to maintain consistent and efficient production of the Company's products.

LAND DEVELOPMENT

The Land Development Division experienced substantially reduced sales and earnings for the year ended February 28th, 1966. This resulted partly from a downturn in housing starts in the Metropolitan Winnipeg area, where your Company has extensive land holdings, and partly from delays in the installation of improvements in new residential development programs underway. The Federal Government has recently launched a "tight money" policy as an anti-inflationary measure and this policy has had, and may continue to have, a drastic effect on the supply of mortgage funds for the house building industry. If this policy were to continue for an extended period of time it would seriously curtail house building and would result in reduced land sales for the Company. The Company expects that the highly successful Government Winter Works Program, which is an incentive measure to encourage construction of houses during the winter months, will again be available later this year.

In anticipation of improved conditions the Company plans to proceed with the installation of improvements to its land and has planned an active program of residential land development.

In addition to the major development programs underway in Metropolitan Winnipeg, the Company will be developing its unimproved land holdings in the cities of Edmonton and Calgary in Alberta and also in Ft. McMurray, Alberta, where a new townsite will serve a well advanced industrial development nearby.



The Company will shortly open an important shopping centre in Crestview Park, Winnipeg. The 101,000 square foot shopping centre has been built on Company lands and is substantially leased to prime national tenants with the S. S. Kresge Company Limited, leasing 75,000 square feet for a K-Mart Discount Store; 21,000 square feet leased to Dominion Stores Ltd. for a grocery, and additional space leased to a Canadian bank and others. Two smaller shopping centres are being planned for the Company's residential developments, in which commercial tenants will include Safeway Stores Ltd., a major oil company and specialty shops. The Company is also planning the construction of a major regional shopping centre, of approximately 300,000 square feet, which will include prominent Canadian department stores.

The recent acquisition of a leading Western Canadian house building company will enable the Company to intensify its property developments and increase the utilization of the Company's substantial land inventories.

Notwithstanding the current downturn in housing, the outlook for this division remains promising.

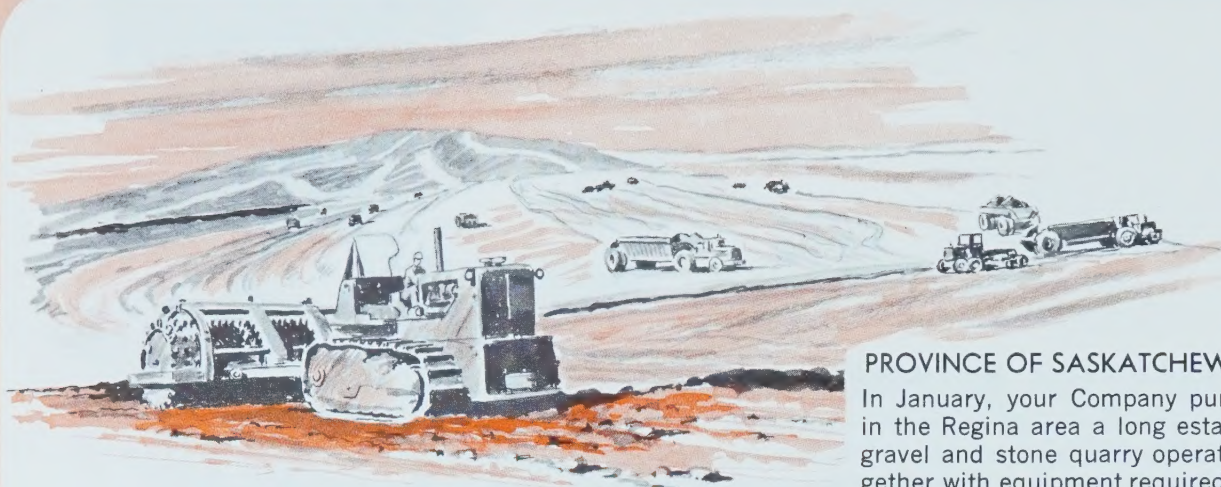
Expansion

The Company has carefully considered the expanding economy in Western Canada and the many opportunities that this offers. A number of major projects have been announced in the Western Provinces totalling several hundred of millions of dollars in areas such as potash, power development, pulp and paper and manufacturing. Your Company has embarked on a program of expanding with the economy in its prime market area.

PROVINCE OF MANITOBA

In December, your Company acquired an existing company in the Winnipeg area in the architectural precast and exposed aggregate wall panel business. This acquisition will complement our existing precast operation, which manufactures heavy structural members and this will allow the Company to offer a complete range of precast products.





PROVINCE OF SASKATCHEWAN

In January, your Company purchased in the Regina area a long established gravel and stone quarry operation, together with equipment required for the Company's operations. The acquisition of these aggregate reserves provides your Company with a valuable asset in this market area. Experienced management from within our organization has been transferred to Regina, where

the Company presently operates two divisions: one Division will produce and supply the market area with classified aggregates, and the other Division will contract for asphalt and concrete paving.

In February, your Company announced plans for a \$5.5 million two-plant manufacturing complex in the rapidly expanding Saskatoon area. Suitable long term financing has been arranged by the Company for this development. Phase one of the program will be the construction of an integrated gypsum wallboard plant, which will be fully automated and capable of producing a full range of wallboard, lath, plaster and related products for the building industry. The Company has secured considerable gypsum holdings as a source of raw materials for the operation. Construction of this plant is now underway and is scheduled for completion in 1967. This plant will be the only gypsum wallboard plant operating in Saskatchewan. Phase two will be the construction of a precast plant similar to the Company's Winnipeg plant, capable of manufacturing a wide range of structural and architectural precast products. Qualified senior management from within the Company has been assigned to oversee the construction program and manage the operations upon completion. These facilities, together with those acquired in Regina, will establish your Company in the Province of Saskatchewan, which is enjoying an industrial boom.

PROVINCE OF ALBERTA

In March, your Company acquired all of the shares of Engineered Buildings Limited of Calgary, a major Canadian home producing company. Engineered Buildings was established in 1943, and has operated successfully in Western Canada in the field of residential and industrial housing and land development. The Company manufactures homes in major plants in Calgary and the United Kingdom. In Canada the company markets its products through a network of regional offices and through the appointment of allied builders in the Provinces of British Columbia, Alberta and Saskatchewan. The Company's British subsidiary was established to meet Britains' housing shortage and is producing for that market housing patterned on modern Canadian building techniques. Engineered Buildings Limited is a large user of gypsum wallboard products. The acquisition of this subsidiary will also enable your Company to accelerate the development of its land holdings in Western Canada.

These acquisitions add regional as well as product diversification and will provide a broader base for the Company's operations.

General

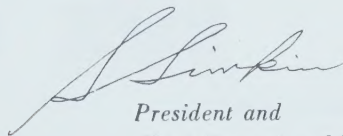
Because the Company's business is to a large extent dependent upon human skills, the Company has launched a program to encourage leadership and performance by its key personnel, and intends to inaugurate an employees' Incentive Compensation Plan. Details of this plan are set out in the Proxy Statement which has been mailed to each Stockholder.

Outlook

We begin 1966 operations in a strong financial condition and with an excellent backlog of work. The prospects and opportunities for your Company are most encouraging, and we are confident that we will maintain satisfactory levels of earnings and profits in the coming year.

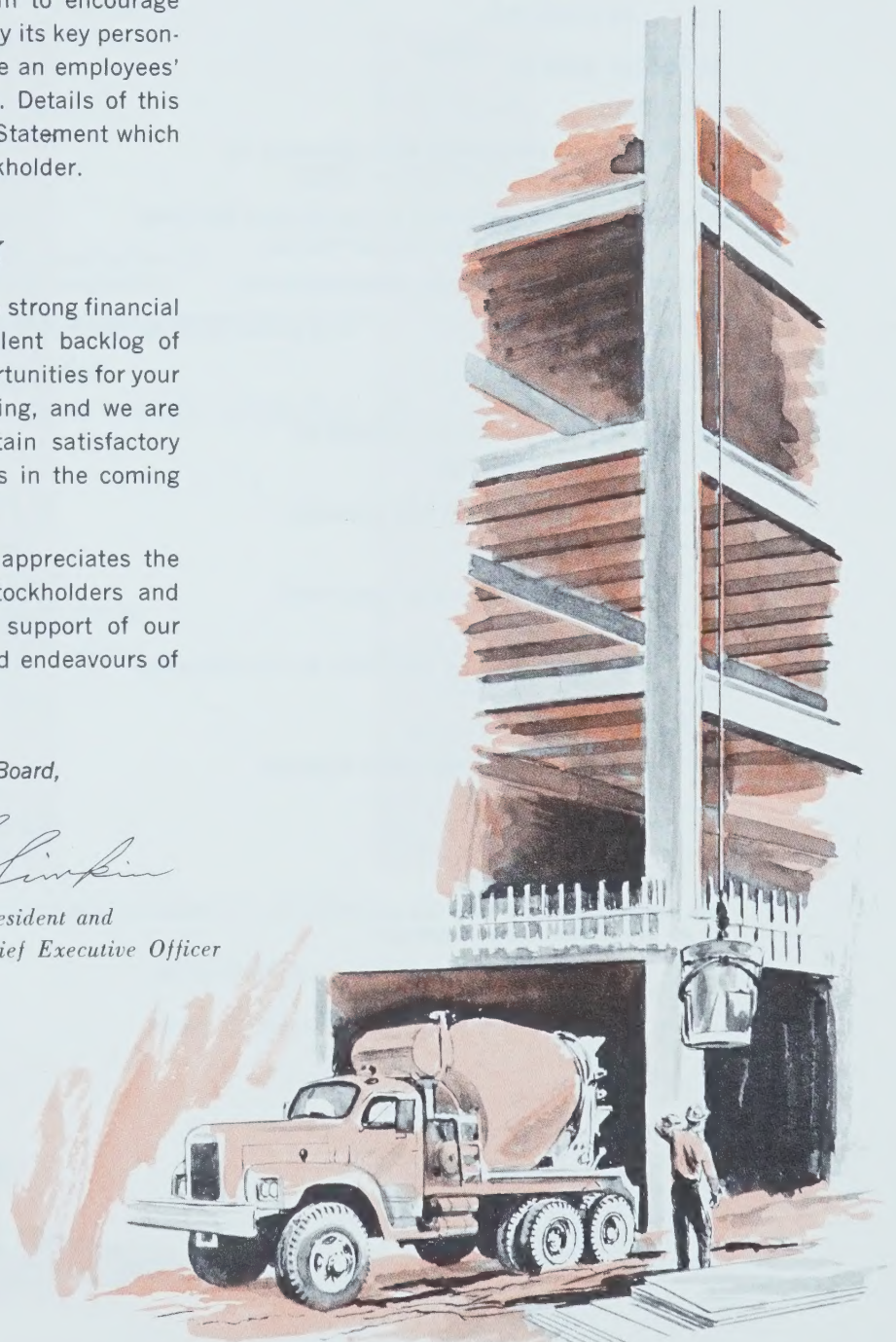
The Board of Directors appreciates the continued interest of the Stockholders and gratefully acknowledges the support of our customers and the loyalty and endeavours of our employees.

On behalf of the Board,



*President and
Chief Executive Officer*

1500 PLESSIS ROAD,
WINNIPEG 25, MANITOBA,
CANADA



ASSETS

		FEBRUARY 28	
		1966	1965
CURRENT ASSETS			
Cash		\$ 589,232	\$ 122,291
Accounts receivable, less allowance of \$219,678 (\$182,089 in 1965)		9,518,202	7,988,731
Inventories, generally on the basis of the lower of first-in, first-out cost or market		9,239,482	8,860,748
Prepaid expenses and other accounts		302,656	191,996
TOTAL CURRENT ASSETS		<u>\$19,649,572</u>	<u>\$17,163,766</u>
OTHER ASSETS		1,999,663	1,985,724
PROPERTY, PLANT AND EQUIPMENT			
On the basis of cost:			
Land and gravel deposits		\$ 1,545,583	\$ 1,497,758
Buildings		2,573,329	2,287,313
Machinery and equipment		14,321,263	13,588,514
		<u>\$18,440,175</u>	<u>\$17,373,585</u>
Less allowances for depletion and depreciation		8,653,594	7,851,823
		<u>\$ 9,786,581</u>	<u>\$ 9,521,762</u>
DEFERRED CHARGES			
Unamortized discount and expense on long-term debt		234,382	266,167
		<u>\$31,670,198</u>	<u>\$28,937,419</u>

*See accompanying notes which are part
of the consolidated financial statement.*



LIABILITIES AND STOCKHOLDERS' EQUITY

FEBRUARY 28

	1966	1965
CURRENT LIABILITIES		
Bank advances	\$ 5,890,263	\$ 4,520,510
Accounts payable	4,139,148	3,426,968
Income taxes:		
On income declared	495,734	182,032
On income related to realization of contract holdbacks receivable	849,018	609,211
Mortgages on land held for development and sale	541,226	508,053
Instalments of long-term debt	50,888	508,040
TOTAL CURRENT LIABILITIES	\$11,966,277	\$ 9,754,814
LONG - TERM DEBT	7,151,693	7,592,460
DEFERRED INCOME TAXES	1,616,350	1,419,887
STOCKHOLDERS' EQUITY		
Capital stock, \$5 par value:		
Authorized 2,000,000 shares		
Issued 1,024,212 shares	\$ 5,121,060	\$ 5,121,060
Contributed surplus	176,507	176,507
Retained earnings	5,638,311	4,872,691
	\$10,935,878	\$10,170,258
	\$31,670,198	\$28,937,419

APPROVED ON BEHALF OF THE BOARD:

SAUL SIMKIN *Director*ROSS J. TURNER *Director*

STATEMENT OF CONSOLIDATED INCOME AND RETAINED EARNINGS

BRITISH-AMERICAN CONSTRUCTION & MATERIALS LIMITED AND SUBSIDIARIES

Year Ended February 28, 1966

	FEBRUARY 28	
	1966	1965
INCOME		
Net sales	\$34,094,999	\$32,150,374
Other	414,759	604,468
	<u>\$34,509,758</u>	<u>\$32,754,842</u>
COSTS AND EXPENSES		
Cost of sales excluding depletion and depreciation set forth below	\$28,161,962	\$27,722,555
Selling, administrative and general	1,997,251	1,765,301
Depletion	24,846	26,464
Depreciation	1,421,057	1,350,552
Interest (including \$463,750 interest and amortization of discount and expense on long-term debt)	815,942	696,727
	<u>\$32,421,058</u>	<u>\$31,561,599</u>
INCOME BEFORE INCOME TAXES	\$ 2,088,700	\$ 1,193,243
PROVISION FOR INCOME TAXES		
Current	\$ 854,453	\$ 312,067
Deferred	196,463	300,570
	<u>\$ 1,050,916</u>	<u>\$ 612,637</u>
NET INCOME	\$ 1,037,784	\$ 580,606
SPECIAL GAIN	-0-	2,477,416
	<u>\$ 1,037,784</u>	<u>\$ 3,058,022</u>
RETAINED EARNINGS AT BEGINNING OF YEAR	4,872,691	2,073,398
	<u>\$ 5,910,475</u>	<u>\$ 5,131,420</u>
CASH DIVIDENDS PAID	272,164	258,729
RETAINED EARNINGS AT END OF YEAR	<u>\$ 5,638,311</u>	<u>\$ 4,872,691</u>

See accompanying notes which are part of the consolidated financial statement.



NOTES TO CONSOLIDATED FINANCIAL STATEMENT

BRITISH-AMERICAN CONSTRUCTION & MATERIALS LIMITED AND SUBSIDIARIES

February 28, 1966



NOTE A—PRINCIPLES OF CONSOLIDATION

The consolidated financial statement includes the accounts of British-American Construction & Materials Limited and its subsidiaries all of which are wholly-owned Canadian corporations operating in Canada. Inter-company investments, accounts and transactions have been eliminated.

NOTE B—STOCK PURCHASE WARRANTS

The holders of purchase warrants outstanding at February 28, 1966, are entitled to subscribe for 152,500 unissued shares of the authorized capital stock as follows: (i) 47,500 shares at \$18.00 U.S. each to September 30, 1966, and (ii) 105,000 shares at \$17.50 U.S. each to September 30, 1969.

NOTE C—ASSETS SUBJECT TO LIEN

Bank advances are secured by a general assignment of book debts and inventories other than inventories of lands held for development and sale. Certain of such lands held for development and sale are subject to mortgages, included in current liabilities, or are pledged as partial security for the 6¼% Note Payable—see Note F. In addition certain items of property, plant and equipment are subject to mortgages or title-retention provisions of equipment-purchase contracts included in accounts payable.

NOTE D—OTHER ASSETS

6% note receivable in annual instalments of \$187,500	\$1,312,500
Deferred municipal accounts receivable	267,094
Other deferred accounts receivable	306,165
Investments and other accounts	476,404
	<u>\$2,362,163</u>
Less amounts included in current assets	362,500
	<u>\$1,999,663</u>

NOTE E—PENSION AND RETIREMENT PLAN

In addition to statutory requirements of the Canada Pension Plan effective January 1, 1966, the Company's contributions during the year to a plan to provide retirement benefits for employees amounted to \$32,132. There are no unfunded past service costs.



NOTES TO CONSOLIDATED FINANCIAL STATEMENT
BRITISH-AMERICAN CONSTRUCTION & MATERIALS LIMITED AND SUBSIDIARIES
February 28, 1966

NOTE F—LONG-TERM DEBT

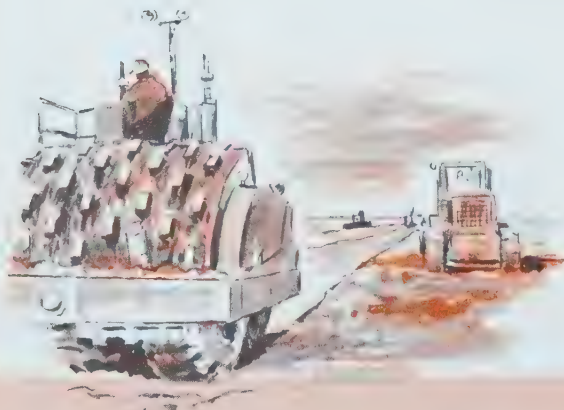
	<u>CURRENT MATURITIES</u>	<u>PRINCIPAL OUTSTANDING</u>
6% Sinking Fund Debentures due August 1, 1981: Payments of \$100,000 U.S., increasing to \$225,000 U.S. dependent on earnings, are due annually on May 31st. Repurchased debentures deposited with the Trustee have satisfied sinking fund requirements to May 31, 1966. The cost of repurchase has not been in excess of the carrying amount of such debentures. Outstanding \$2,785,000 U.S. less \$173,500 U.S. on hand	\$ —0—	\$2,690,097
6¼% Note due March 1, 1979: Mandatory payments of \$300,000 U.S. commence March 1, 1967, and supplemental repayments based on sales of land held for development and sale are due annually on March 1st. Outstanding \$3,918,097 U.S.	34,888	4,230,320
Other notes and mortgages	16,000	282,164
	\$ 50,888	\$7,202,581
Less amounts included in current liabilities		50,888
		<u>\$7,151,693</u>

The Indenture and First Supplemental Indenture dated August 1, 1961, relating to the 6% Sinking Fund Debentures require maintenance of consolidated net current assets in excess of \$750,000 and restrict payment of cash dividends. The agreement relating to the 6¼% Note Payable requires maintenance of consolidated net current assets in excess of \$5,500,000, restricts repurchases of the 6% Sinking Fund Debentures exceeding those required under that indenture and restricts payment of cash dividends.

At February 28, 1966, consolidated retained earnings approximating \$611,792 are not subject to the more restrictive of these provisions.

NOTE G—REMUNERATION OF DIRECTORS

Total remuneration of directors of the Company and its subsidiaries, comprising salaries and pension benefits, amounted to \$280,784 for the year ended February 28, 1966.



NOTES TO CONSOLIDATED FINANCIAL STATEMENT

BRITISH-AMERICAN CONSTRUCTION & MATERIALS LIMITED AND SUBSIDIARIES

February 28, 1966



NOTE H—INCOME TAXES

The laws of Canada and its Provinces do not recognize consolidated income as a basis for taxation and the provision stated represents the aggregate of income taxes provided by each of the companies in the consolidation.

In general, such provisions are based on reported income but distinction has been made between income taxes currently payable and deferred income taxes. The latter relate to reductions in taxable income attributable to allowances for depreciation based on the declining-balance method claimed in greater amount than straight-line depreciation recorded in the accounts. Taxes so deferred, accumulated in the amount of \$1,616,350 at February 28, 1966, may become payable when the relative status of these factors is reversed.

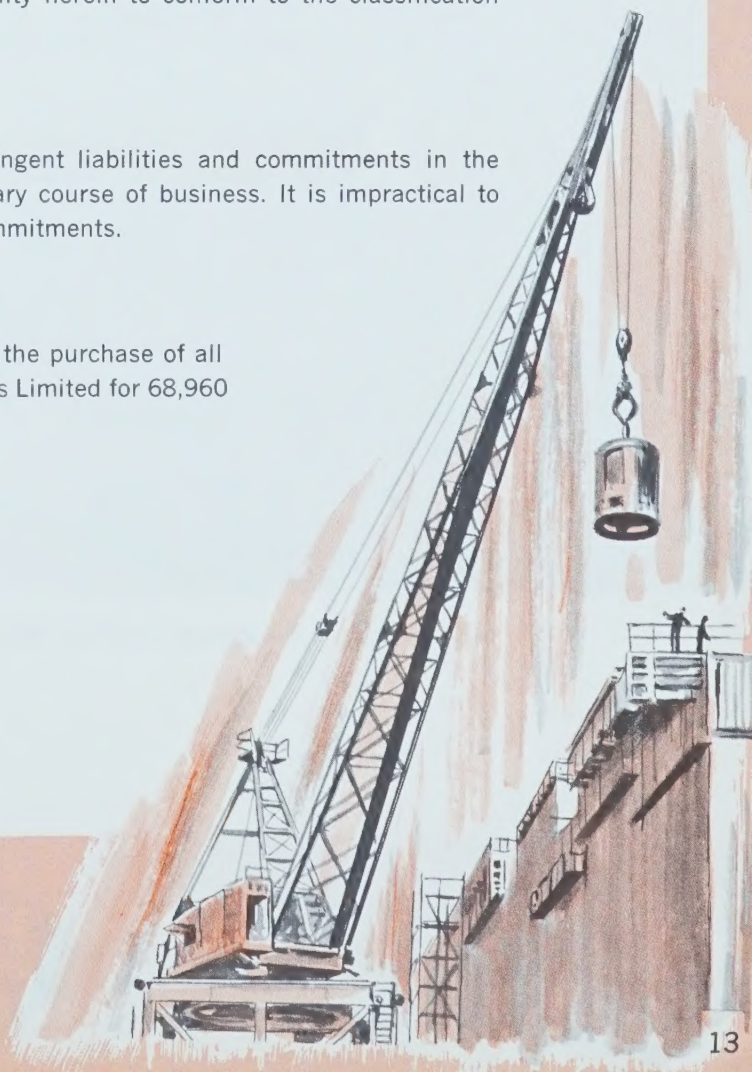
Deferred income taxes in the amount of \$609,211 at February 28, 1965, which apply to income included in accounts receivable as contract holdbacks, deferred for income tax purposes, and which were classified as a non-current credit item in the balance sheet previously issued as of that date, have been reclassified as a current liability herein to conform to the classification adopted for such taxes at February 28, 1966.

NOTE I—CONTINGENT LIABILITIES

The Company and its subsidiaries may incur contingent liabilities and commitments in the performance of contracts entered into in the ordinary course of business. It is impractical to determine the amount of such contingencies and commitments.

NOTE J—SUBSEQUENT EVENT

On March 8, 1966, the Board of Directors approved the purchase of all the outstanding capital stock of Engineered Buildings Limited for 68,960 unissued shares of the Company's capital stock and \$657,683 payable in cash.



ERNST & ERNST

CHARTERED ACCOUNTANTS

ASSOCIATES IN PRINCIPAL
CITIES OF THE UNITED STATES
THE UNITED KINGDOM
AND OTHER COUNTRIES

385 ST. MARY AVENUE
WINNIPEG 1, MANITOBA
WH. 3-3509

To the Stockholders,
British-American Construction & Materials Limited.

We have examined the consolidated financial statement of British-American Construction & Materials Limited and Subsidiaries for the year ended February 28, 1966. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statement of income and retained earnings present fairly the consolidated financial position of British-American Construction & Materials Limited and Subsidiaries at February 28, 1966, and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



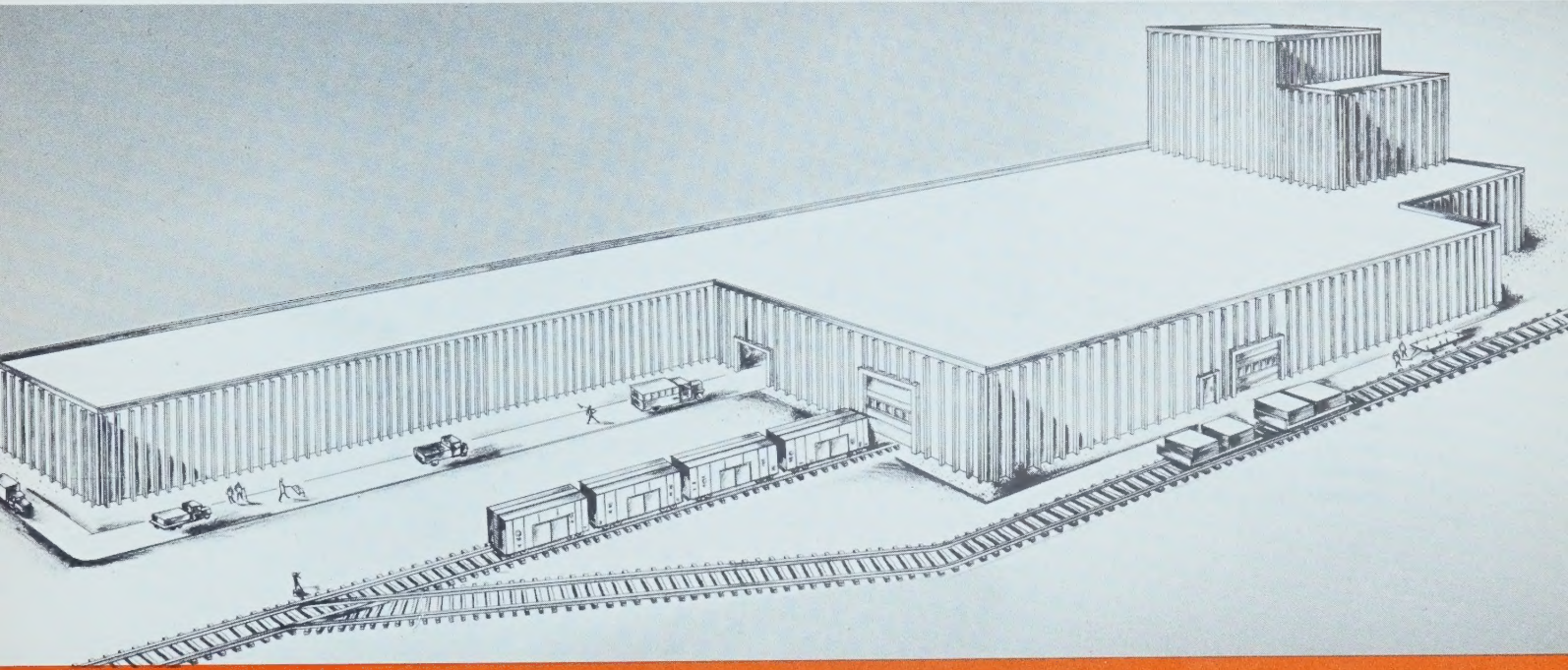
Chartered Accountants

April 22, 1966.



PROJECTS *for* PROGRESS

Artist's sketch of Phase I of our Saskatoon, Saskatchewan, construction program — The Gypsum Wallboard Plant.



Head Office - Engineered Buildings Limited, Calgary, Alberta. A recently acquired subsidiary company.

